

Mecklenburg County

Quarterly Economic Update



January 2019

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Report Summary

The fundamentals of the economy are sound with low unemployment and inflationary pressures. Most economic indicators are positive; however, it does not yet reflect the negative effects a government shutdown due to the lag in economic data. Economists estimate that for every two weeks the government remains shutdown, there is a -0.1% percentage point loss in GDP growth for the quarter. Additionally, upcoming economic data will likely show weakness due to the 800,000 federal workers affected by the partial shutdown.

External factors including the global slowdown in the European Union and China, may result in a drag on the US economy. Companies such as Apple have reported slowing sales because of an economic downturn in China, in part due to the ongoing trade dispute with the US.

The China – US trade dispute (often referred to as the trade war) is having a negative effect on the Chinese economy. The Shanghai Composite is down roughly 30% with exports down -4.4% versus a 2% estimate and imports down -7.6% versus an estimate of 4.5%. The trade war is creating much more pain for the Chinese economy than in the US, but president Xi Jinping is president for life, and because he doesn’t face elections he could afford to play the long game and wait out the current trends. The current trade truce set to end March 1st, although its unknown whether China and the US will be able to resolve their differences.

Note: Unless otherwise noted all dates and charts refer to calendar year

National Summary

The nation's GDP grew at 3.4% in the third quarter, with GDP expected to come in around 3.0% for the year of 2018.



- Non-seasonally adjusted unemployment for the Nation was 3.7% in December.
- US nonfarm employment increased by 312,000 in the most recent report beating analyst expectations of 182,000.
- Consumer sentiment was high in December, but the shutdown, global slowdown, and continued volatility in the stock market caused it to sharply fall in January.
- Inflation is currently slightly below the Fed's target. This is mainly due to the decrease in crude oil prices. Lower than target inflation will allow the Fed to take a break from increasing the fed funds rate. Currently, two increases are expected for the year with the first likely taking place mid-summer.

National Summary	Most Recent	Current Level	1 Yr Ago	5 Yr Ago	10 Yr Ago
Real GDP Growth	Q2 2017	3.4%	2.8%	3.2%	-2.1%
Points Variance			0.6%	0.2%	5.5%
US Nonfarm Payroll	Dec-18	313,000	175,000	93,000	-707,000
Percentage Change			78.9%	236.6%	-144.3%
CPI-U	Nov-18	1.84%	1.87%	1.25%	1.08%
Points Variance			0.0%	-0.6%	-0.8%
Consumer Sentiment	Nov-18	97.5	98.5	75.1	55.3
Points Variance			-1.0	22.4	42.2
US Leading Index	Oct-18	1.41%	1.60%	1.37%	-1.19%
Points Variance			-0.2%	0.0%	2.6%
National Gas Prices	Dec-18	\$ 2.37	\$2.48	\$3.28	\$1.69
\$ Variance			-\$0.04	-\$0.28	\$0.40

Notes: Green highlights above show improving statistics; red areas show declining statistics. Consumer Price Index for Urban Consumers (CPI-U) was not given a color ranking as inflation should be looked at relative to target inflation. Year over Year (YoY) points refer to percentage point variance. All YoY numbers are expressed in terms of the last update received. i.e. If the last available update was FY 2017 then the YoY will compare to FY 2016. References to specific dates indicates the YoY is calculated from that date.

Local Summary

- Unemployment is trending below the State and Nation as of November. Mecklenburg's unemployment rate was 3.2% vs. 3.5% (State and National level).
- Sales taxes collected for the County are up 4.2% for FY19. At the same time, refunds netting against sales tax revenues are trending higher than last year at this time, with refunds in the first four months of 2019 totaled \$19.1 mil compared to 2018 at \$9.7 mil.
- The housing market has started to slow as sales have now declined by 6.0% for the year with December 2018 sales down 17.9% compared to December 2017.
- In the third quarter of calendar year 2018, both the industrial and commercial markets performed well with the commercial office market showing asking rent growth of 9.6% over the third quarter of 2017. The industrial market's asking rents grew by 5.1% over the same period.



Local Summary	Most Recent	Current Level	1 Yr Ago	5 Yr Ago	10 Yr Ago
Mecklenburg Population Level	FY 2017	1,076,837	1,057,237	968,204	865,075
Percentage Change			1.9%	11.2%	24.5%
Mecklenburg Poverty Population	FY 2017	120,634	127,889	153,049	93,220
Percentage Change			-5.7%	-21.2%	29.4%
Mecklenburg Poverty Population %	FY 2017	11.2%	12.1%	15.8%	10.8%
Points Variance			-0.9%	-4.6%	0.4%
Mecklenburg Unemployment Rate	Nov-18	3.2%	4.5%	7.0%	7.9%
Points Variance			-1.3%	-3.8%	-4.7%
Mecklenburg Employed	Apr-18	590,382	564,567	495,568	439,235
Percentage Change			4.6%	19.1%	34.4%

Notes: Green highlights above show periods of positive results; red areas show declining results.

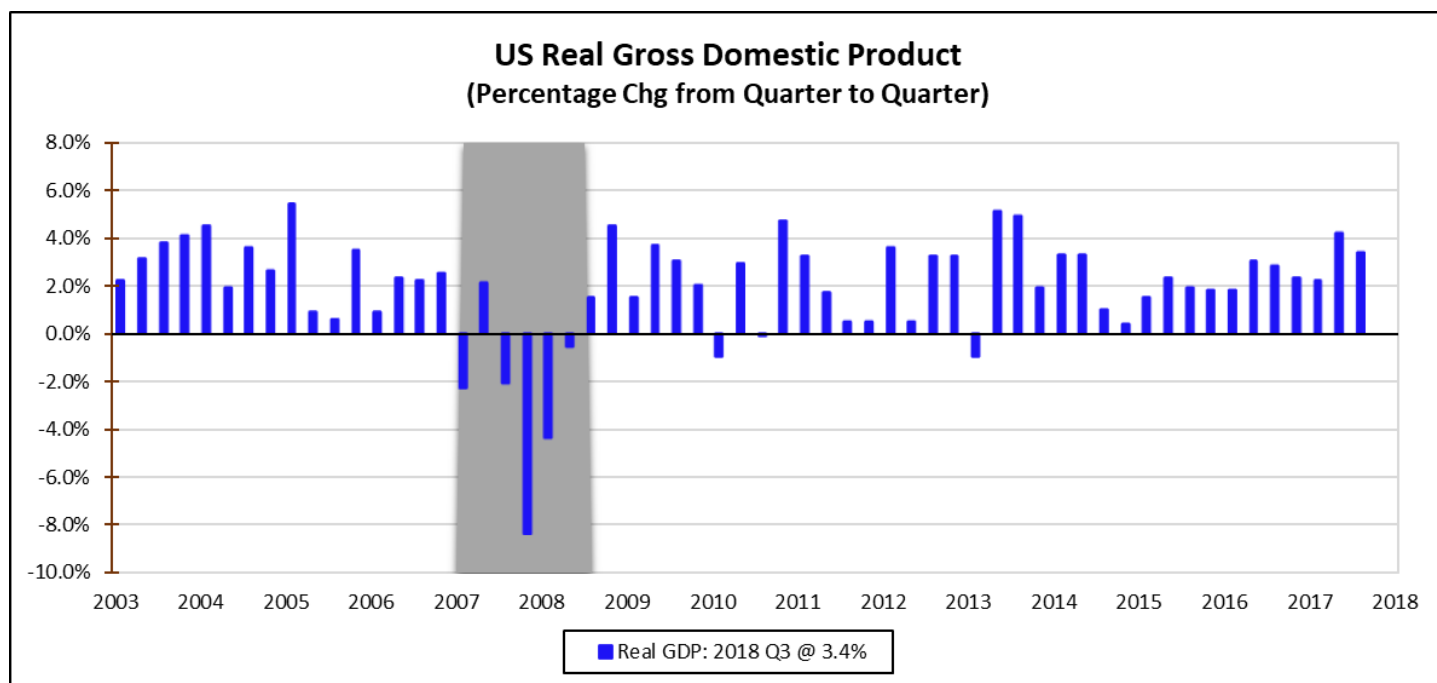
Gross Domestic Product

The US grew 3.4% in the third quarter with 2019 estimates for the year expected to grow at 2.3%

The third quarter grew at an annualized rate of 3.5% and is on pace to hit the Trump Administration's 3.0% target for the year. The economy grew at a 4.2% rate in the second quarter. Gains over the six-month period well out-paced the modest growth of just over 2% annually, as recorded since the recession ended in mid-2009. Consumer spending which accounts for the bulk of US growth rose 3.5% versus an earlier estimate of 3.6%.

The increase in real GDP in the third quarter reflected positive contributions from non-residential fixed investment, personal consumption expenditures, private inventory investment, federal government spending and state and local government spending. These were partly offset by negative contributions from exports and residential fixed investment.

The consensus forecast among Federal Reserve officials projected 2.3% growth for all of 2019 and 2.0% growth in 2020. Sectors of the economy tied to trade, manufacturing and housing appear to pose headwinds to growth, but that could be largely offset by more robust consumer spending. The government shutdown will negatively affect GDP growth in 2019 and 2020. For every two weeks the shutdown lasts GDP growth is estimated to decrease 10 basis points in the quarter of the shutdown with a lesser residual effect in the following year. Note that the previous longest shutdown was in 1995 and lasted 21 days, so we are moving into uncharted territory on what impacts may result from a prolonged shutdown.

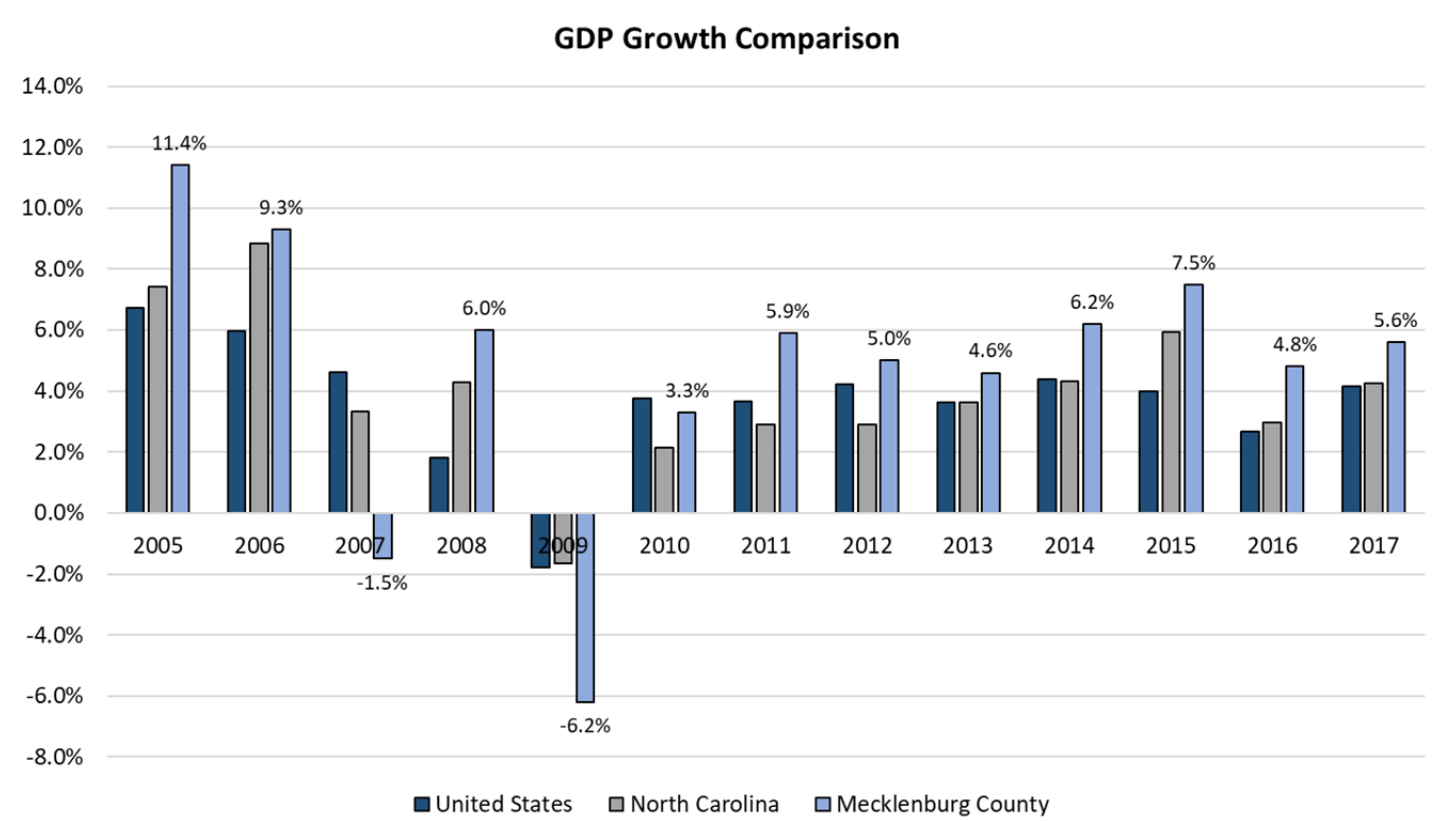


Source: Commerce Department

Historic GDP Growth Comparisons and Industry Composition

Mecklenburg County continues to outpace the U.S. and North Carolina

Mecklenburg County's growth has historically outpaced the US and North Carolina as shown on the graph below. Note that the graph is showing gross domestic product that does not account for inflation as the figures for real gross domestic product shown on the previous page. Although our growth highs have been higher relative to the state and country, our lows were also lower. During the 2008 recession, Mecklenburg County was hit harder than the US and North Carolina due having a larger share of the banking industry which took the brunt of the fall.



Source: JobsEQ and Federal Reserve Economic Database (FRED)

Since 2008, the industry composition by total employment in the county has been largely unchanged. Yet it's evident there is a shift in the County of moving further away from producing goods to more of a service-oriented economy.

Some of the key shifts from 2008 are as follows:

- Healthcare and Social Assistance overtook Retail Trade as our largest industry sector, and as of 2017 makes up 11.5% of all jobs in the county.
- Retail Trade is a smaller share of employment due to macroeconomic factors such as the rise of E-commerce and closing of traditional “brick and mortar” stores. Wholesale Trade industry was also down by -0.8%.
- Finance and insurance industry was 40 basis points lower.
- Professional, Scientific, and Technical Services saw the second largest increase, up 130 basis points.
- Manufacturing and construction were hardest hit, losing 120 basis points and 160 basis points of the share of total jobs in the County.

Share of Total Employment by Industry in Mecklenburg County

NAICS Code	Industry	Average Employment		
		2007	2017	% ppts chg
62	Health Care and Social Assistance	9.5%	11.5%	2.0%
54	Professional Scientific and Technical Services	7.0%	8.2%	1.3%
56	Administrative and Support and Waste Management and Remediation Services	8.2%	9.0%	0.9%
71	Arts Entertainment and Recreation	1.6%	2.3%	0.8%
72	Accommodation and Food Services	8.4%	9.0%	0.7%
55	Management of Companies and Enterprises	4.0%	4.4%	0.3%
48	Transportation and Warehousing	5.4%	5.5%	0.2%
53	Real Estate and Rental and Leasing	1.9%	1.9%	0.0%
51	Information	3.4%	3.4%	0.0%
21	Mining	0.0%	0.0%	0.0%
92	Public Administration	2.7%	2.6%	-0.1%
22	Utilities	0.4%	0.3%	-0.1%
11	Agriculture Forestry Fishing and Hunting	0.2%	0.0%	-0.2%
61	Educational Services	5.3%	5.0%	-0.2%
81	Other Services (except Public Administration)	2.9%	2.6%	-0.3%
52	Finance and Insurance	9.5%	9.1%	-0.5%
42	Wholesale Trade	6.5%	5.8%	-0.8%
44	Retail Trade	10.6%	9.5%	-1.1%
31	Manufacturing	6.1%	4.9%	-1.2%
23	Construction	6.4%	4.8%	-1.6%
Grand Total		100.0%	100.0%	0.0%

Source: Quarterly Census Employment and Wages (QCEW)

Total employment since 2007 is up 21%, adding 115,558 new jobs, with the largest growth coming from the Arts, Entertainment, and Recreation industry (+80.5%), Healthcare and Social Assistance industry (+45.8%), and the Professional Scientific and Technical Services (+42.2%). Not surprisingly the additional 24,463 new jobs in the Healthcare and Social Assistance industry has allowed the industry to surpass Retail Trade as the largest industry in 2007.

According to the QCEW data the County has lost all its agricultural and mining related jobs, though this was a relatively small portion of the County's overall employment. Other notable decreases include reductions in employment from the Manufacturing, Construction, and Utilities industries. Manufacturing employment has been in decline for many years due to the rise of advanced manufacturing and offshoring. The utilities sector is lower due to a reduction in coal fired power plants being replaced with other forms of power such as solar. The reduction in construction over the period is counter-intuitive, given the high level of building in the County. However, many home builders in the final year of the housing boom of the early 2000's went out of business during the recession and have not returned.

Total Employment by Industry in Mecklenburg County

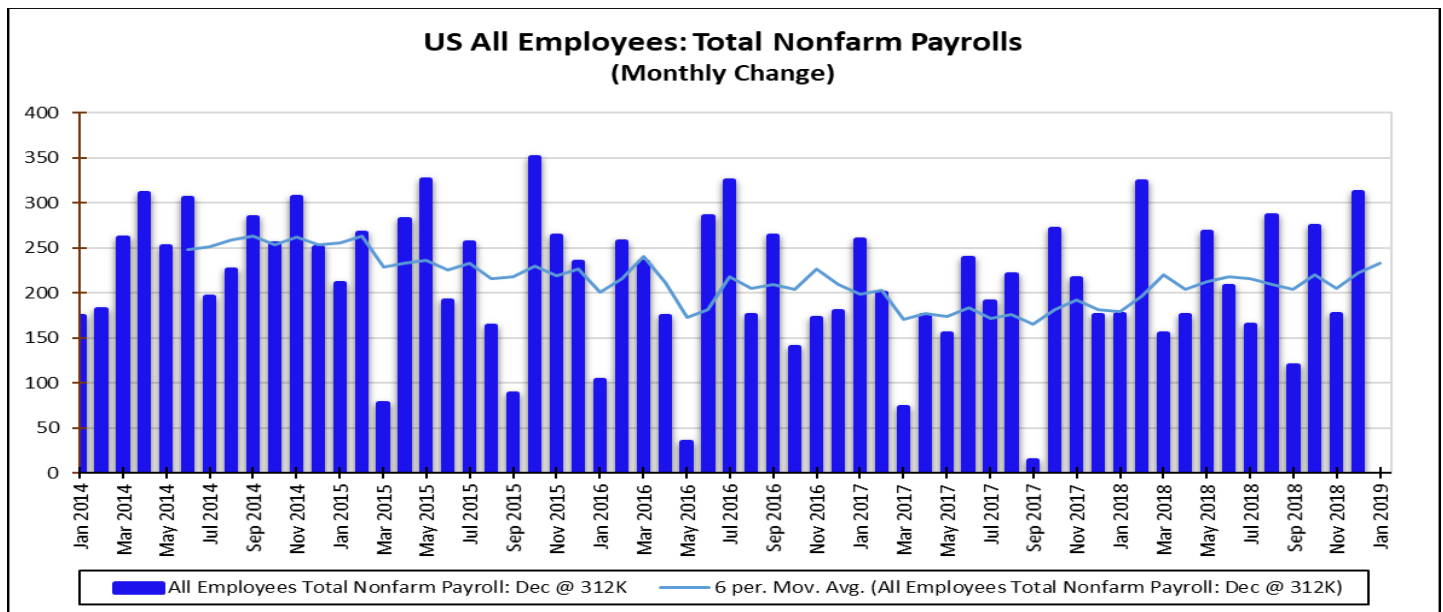
NAICS Code	Industry	Average Employment		
		2007	2017	% Chg
71	Arts Entertainment and Recreation	8,841	15,954	80.5%
62	Health Care and Social Assistance	53,397	77,860	45.8%
54	Professional Scientific and Technical Services	39,350	55,940	42.2%
56	Administrative and Support and Waste Management and Remediation Services	46,031	61,277	33.1%
55	Management of Companies and Enterprises	22,815	29,779	30.5%
72	Accommodation and Food Services	47,063	61,405	30.5%
48	Transportation and Warehousing	30,307	37,675	24.3%
53	Real Estate and Rental and Leasing	10,910	13,062	19.7%
51	Information	19,394	23,195	19.6%
92	Public Administration	15,451	17,986	16.4%
61	Educational Services	29,693	34,243	15.3%
52	Finance and Insurance	53,799	61,470	14.3%
44	Retail Trade	59,681	64,570	8.2%
81	Other Services (except Public Administration)	16,165	17,393	7.6%
42	Wholesale Trade	36,891	39,141	6.1%
31	Manufacturing	34,463	33,569	-2.6%
23	Construction	36,101	32,833	-9.1%
22	Utilities	2,169	1,826	-15.8%
11	Agriculture Forestry Fishing and Hunting	871	-	-100.0%
21	Mining	228	-	-100.0%
Grand Total		563,620	679,178	21%

Source: Quarterly Census Employment and Wages (QCEW)

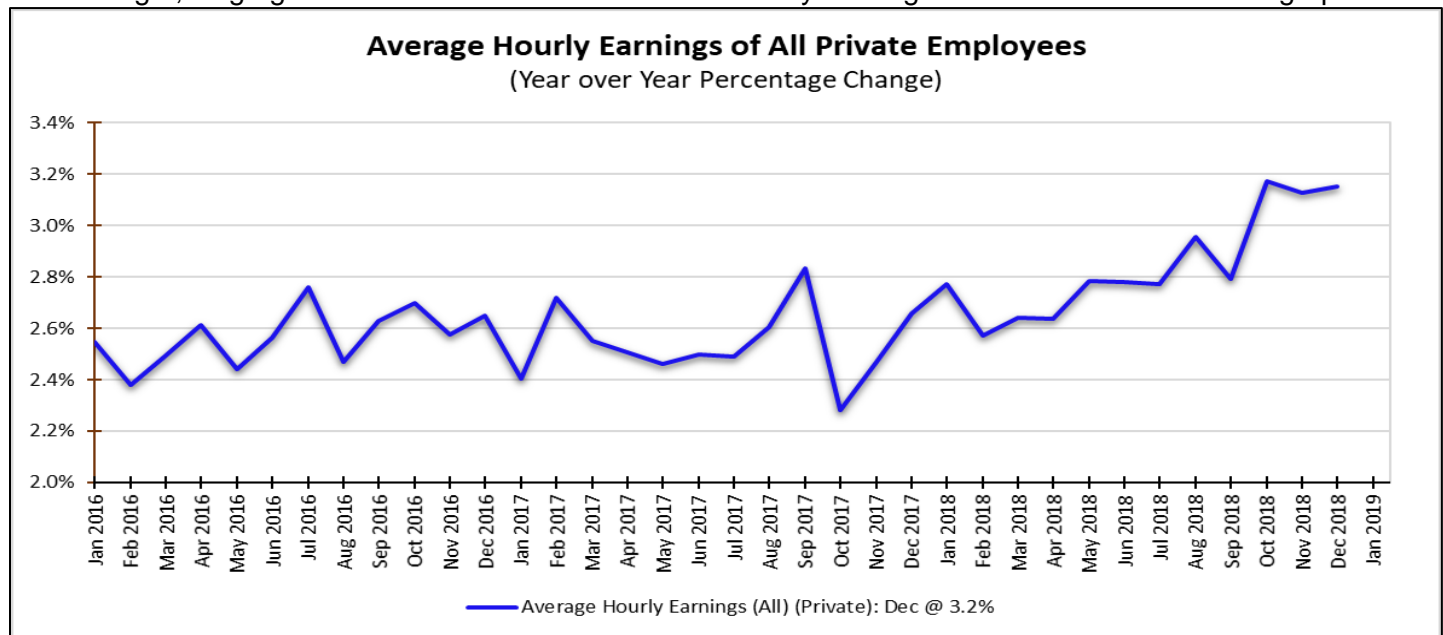
Employment

December employment exceeds expectations

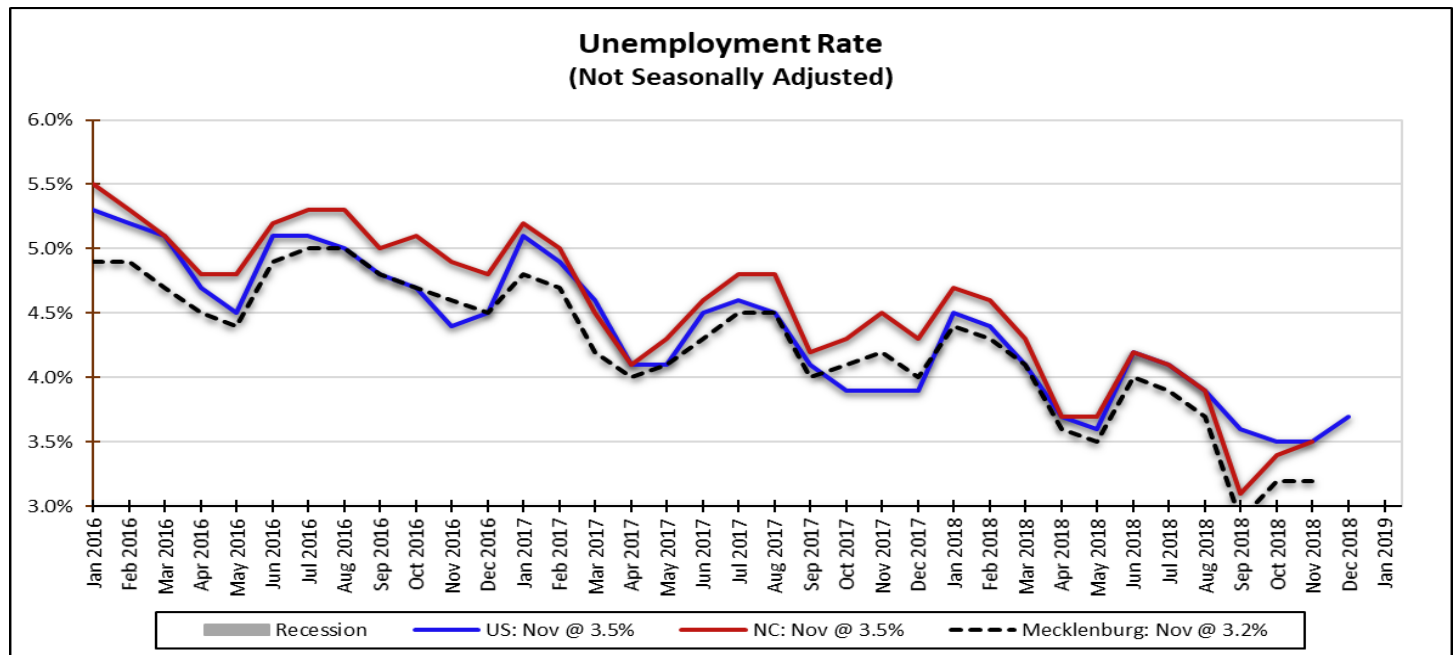
In December, US nonfarm payroll employment increased by 312,000, crushing analyst expectations of 182,000. The unemployment rate increased from 3.5% to 3.7% as some 400,000 more people began looking for work last month, signaling that the increases in wages could be motivating Americans to reenter the workforce.



For the year the economy added 2.6 million new jobs with wages growing at 3.2%. As labor markets have become tight, wage growth which had been lackluster is finally starting to take-off as shown in the graph below.



Compared to the US, North Carolina's unemployment in November was also 3.5% with Mecklenburg County lower at 3.2%. Governor Roy Cooper announced 19,729 new jobs in North Carolina last year, representing 157 business recruitments, expansion, or rural development projects that engaged Commerce or its team at the Economic Development Partnership of NC in 2018. These projects represent \$3.54 billion of new investment in the state. Most of the projects located or expanded in the state's more rural or economically distressed areas, with 69 percent choosing either a Tier 1 or Tier 2 county, as delineated by North Carolina's economic development tier system. Mecklenburg County landed the state's two largest projects as measured by job creation totals, which are Amazon totaling 3,000 jobs and AvidXchange's expansion in Mecklenburg County that will create 1,229 jobs.



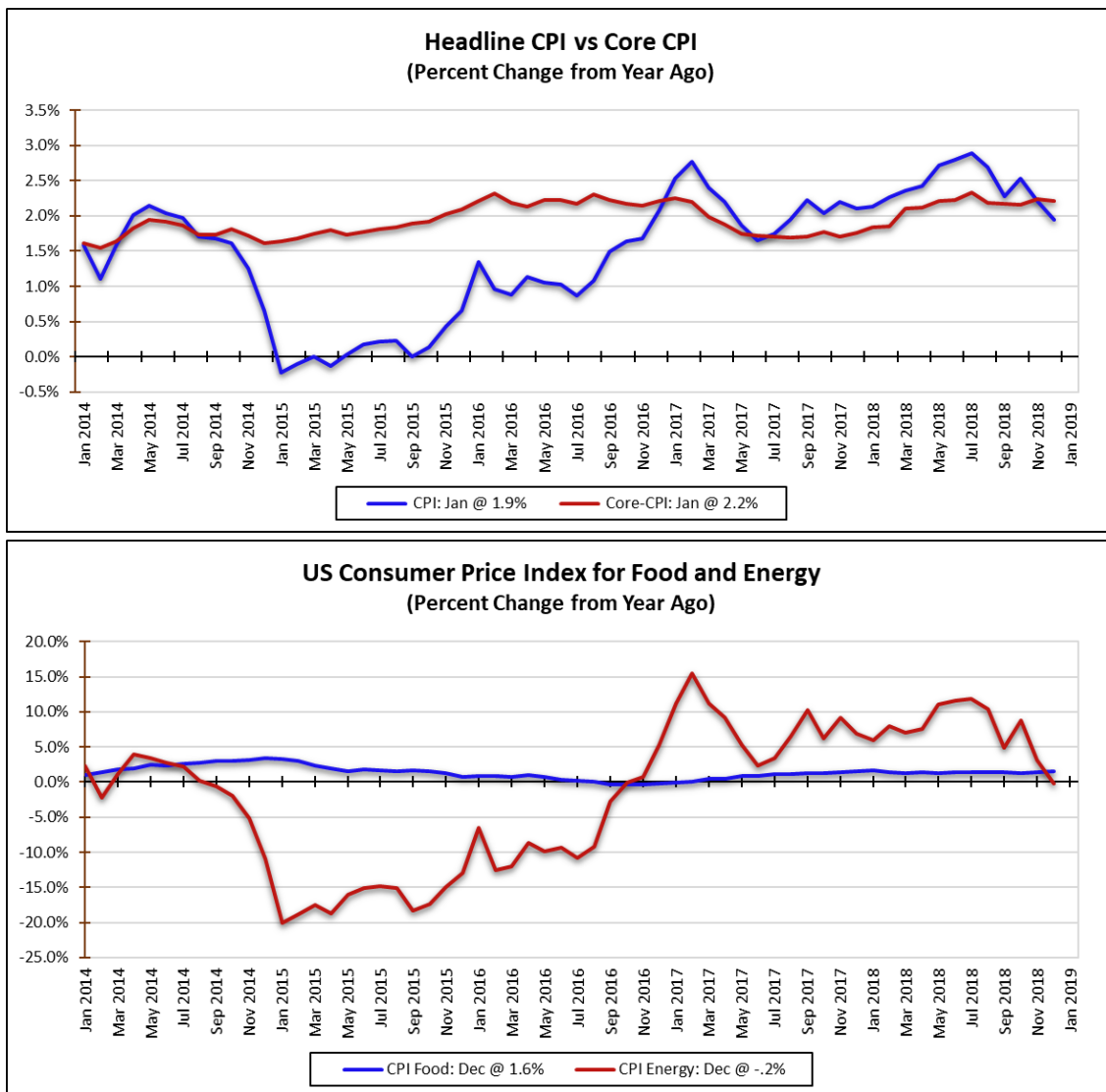
Source: Bureau of Labor Statistics and NC Commerce Dept

Inflation

Inflationary pressures have decreased due to falling gasoline prices

Led by lower gasoline prices, inflation has slowed to 1.9% year-over-year growth in January. In November retail gasoline was down 7.5%, reflecting a sharp drop in the price of crude oil. Core inflation which excludes food and energy stands at 2.2% growth in January. Fed Chairman Jerome Powell stated that low inflation afforded policymakers “the ability to be patient and watch patiently and carefully” while they monitored economic data and financial markets for risks to growth. The US central bank has forecast two rate increases for 2019.

Inflation remains tame despite a tightening labor market that is starting to push up wage growth. The Fed's preferred inflation measure, the personal consumption expenditures (PCE) price index excluding food and energy, is hovering just below the U.S. central bank's 2 percent target.



Source: Bureau of Labor Statistics (BLS)

Consumer Sentiment

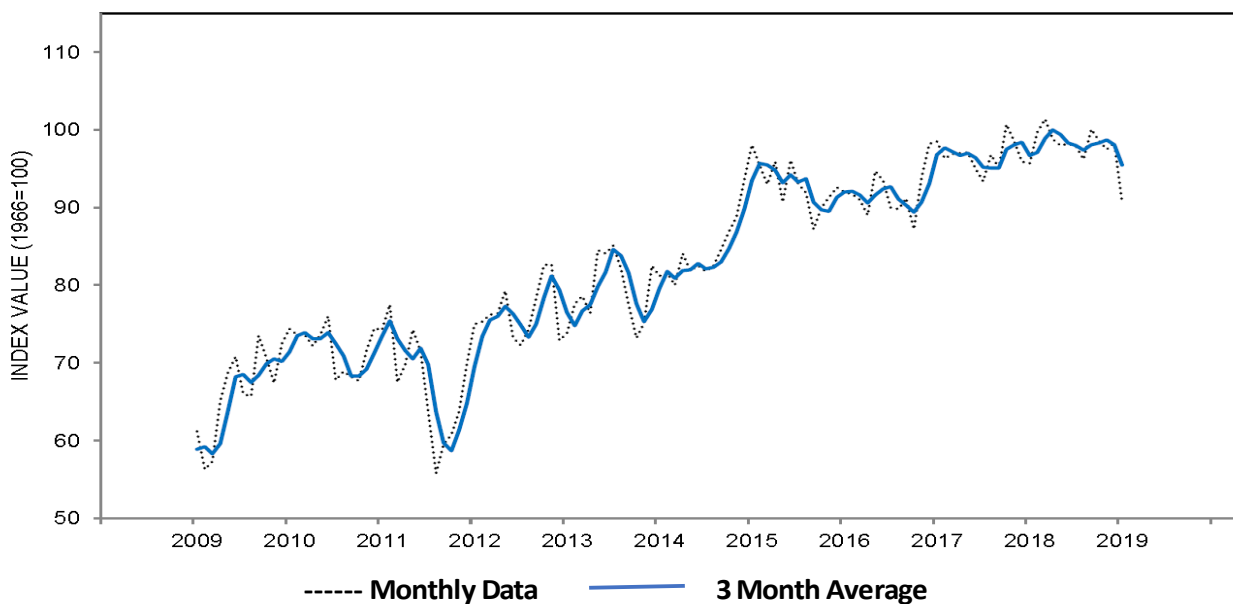
Consumer Sentiment took a sharp dive in January, lowest level since President Trump was elected

Consumer sentiment declined in early January to its lowest level since Trump was elected. The decline was primarily focused on prospects for the domestic economy, with the year-ahead outlook for the national economy judged the worst since mid-2014. The loss was due to a host of issues including the partial government shutdown, the impact of tariffs, instabilities in financial markets, the global slowdown, and the lack of clarity about monetary policies.

While the January falloff in optimism is certainly consistent with a slowdown in the pace of growth, it does not yet indicate the start of a sustained downturn in economic activity. It is the strength in personal finances that will continue to support consumption expenditures at favorable levels in 2019. Nonetheless, consumers now sense a need to buttress their precautionary savings, which is typically done by reducing their discretionary spending. Evolving job and wage prospects, which were slightly weaker in early January, are critical to extending the current expansion.

Preliminary Results for January 2019

	Jan 2019	Dec 2018	Jan 2018	M-M Change	Y-Y Change
Index of Consumer Sentiment	90.7	98.3	95.7	-7.7%	-5.2%
Current Economic Conditions	110.0	116.1	110.5	-5.3%	-0.5%
Index of Consumer Expectations	78.3	87.0	86.3	-10.0%	-9.3%



Source: University of Michigan

Leading Economic Indicator (LEI)

LEI signals the economy will moderate further in the second half of 2019

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.2 percent in November to 111.8 (2016 = 100), following a 0.3 percent increase in October, and a 0.6 percent increase in September.

“The LEI increased slightly in November, but its overall pace of improvement has slowed in the last two months,” said Ataman Ozyildirim, Director of Economic Research at The Conference Board. “Despite the recent volatility in stock prices, the strengths among the leading indicators have been widespread. Solid GDP growth at about 2.8 percent should continue in early 2019, but the LEI suggests the economy is likely to moderate further in the second half of 2019.”

About The Conference Board Leading Economic Index® (LEI) for the US:

The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

The ten components of The Conference Board Leading Economic Index® for the US include:

- Average weekly hours, manufacturing
- Average weekly initial claims for unemployment insurance
- Manufacturers' new orders, consumer goods and materials
- ISM® Index of New Orders
- Manufacturers' new orders, nondefense capital goods excluding aircraft orders
- Building permits, new private housing units
- Stock prices, 500 common stocks
- Leading Credit Index™
- Interest rate spread, 10-year Treasury bonds less federal funds
- Average consumer expectations for business condition

Source: The Conference Board

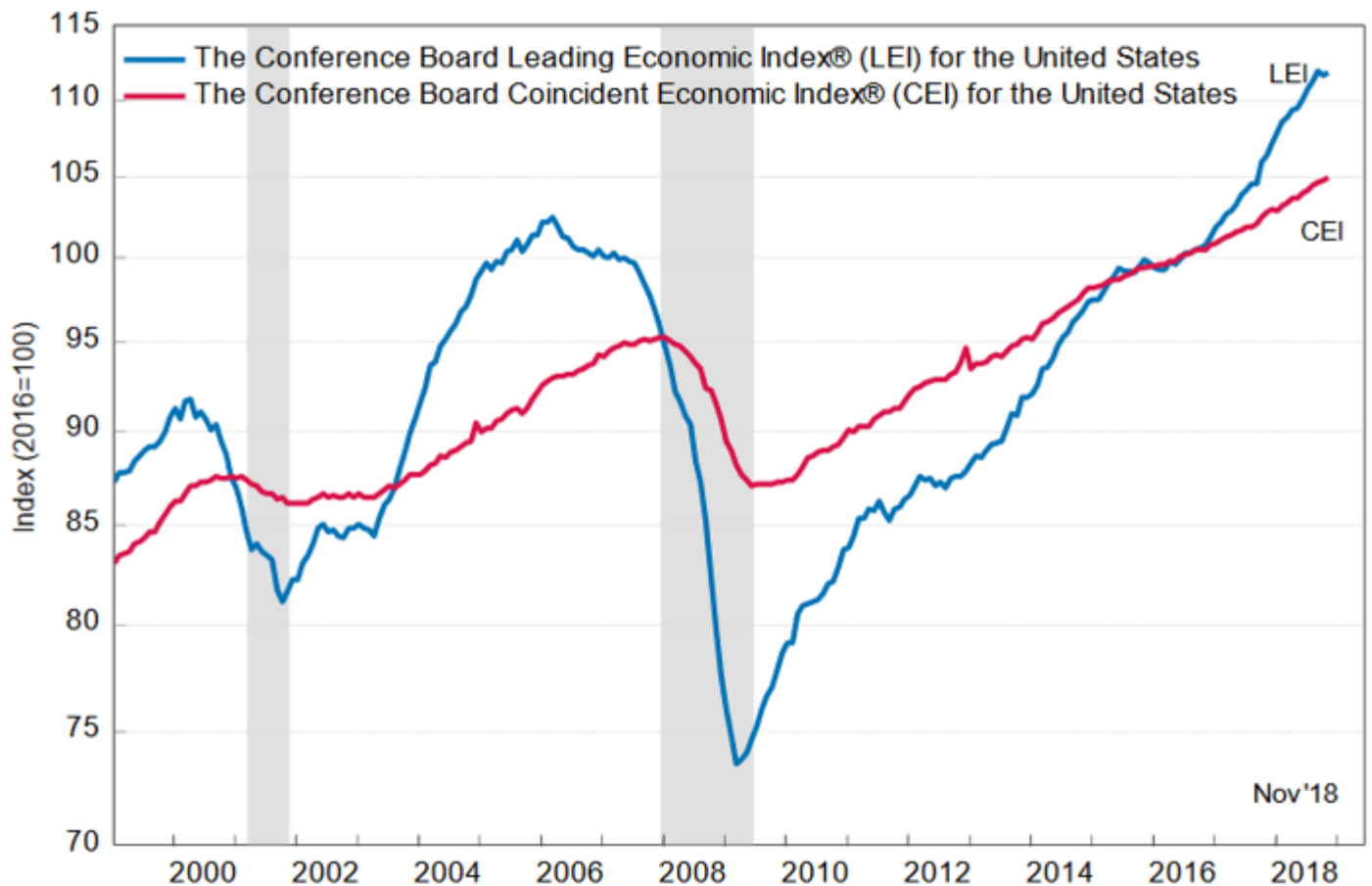
Summary Table of Composite Economic Indexes

	2018			6-month May to Nov
	Sep	Oct	Nov	
Leading Index	111.9 r	111.6 r	111.8 p	
Percent Change	0.6	-0.3 r	0.2 p	2.2
Diffusion	80.0	45.0	70.0	80.0
Coincident Index	104.6 r	104.7	104.9 p	
Percent Change	0.2 r	0.1 r	0.2 p	1.3
Diffusion	87.5	75.0	100.0	100.0
Lagging Index	105.1	105.6 r	106.0 p	
Percent Change	-0.2	0.5 r	0.4 p	0.7
Diffusion	21.4	78.6	71.4	42.9

p Preliminary r Revised

Indexes equal 100 in 2016

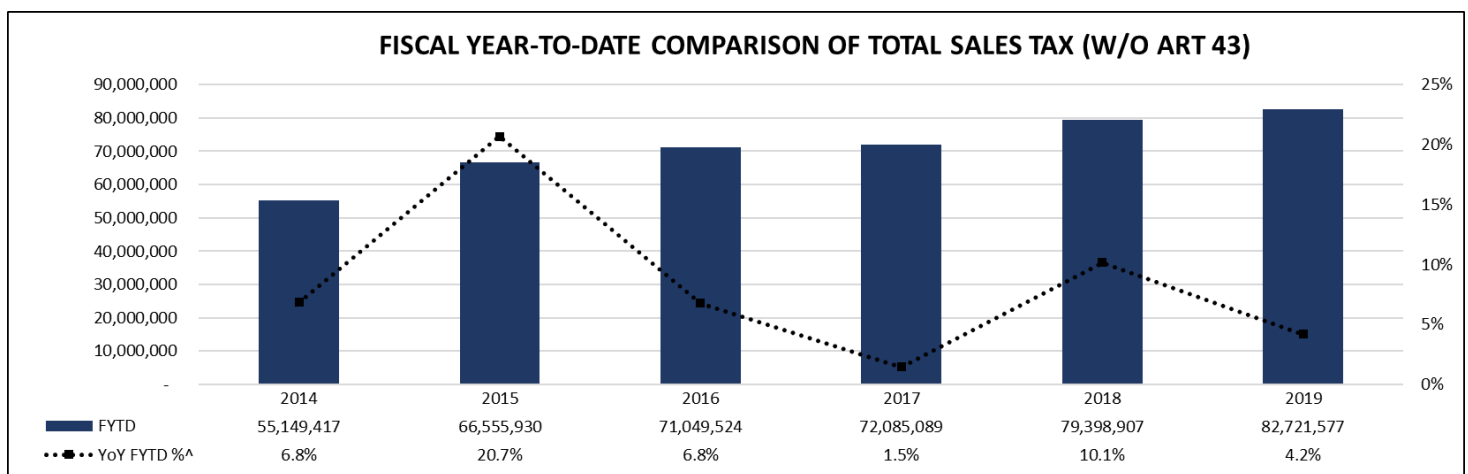
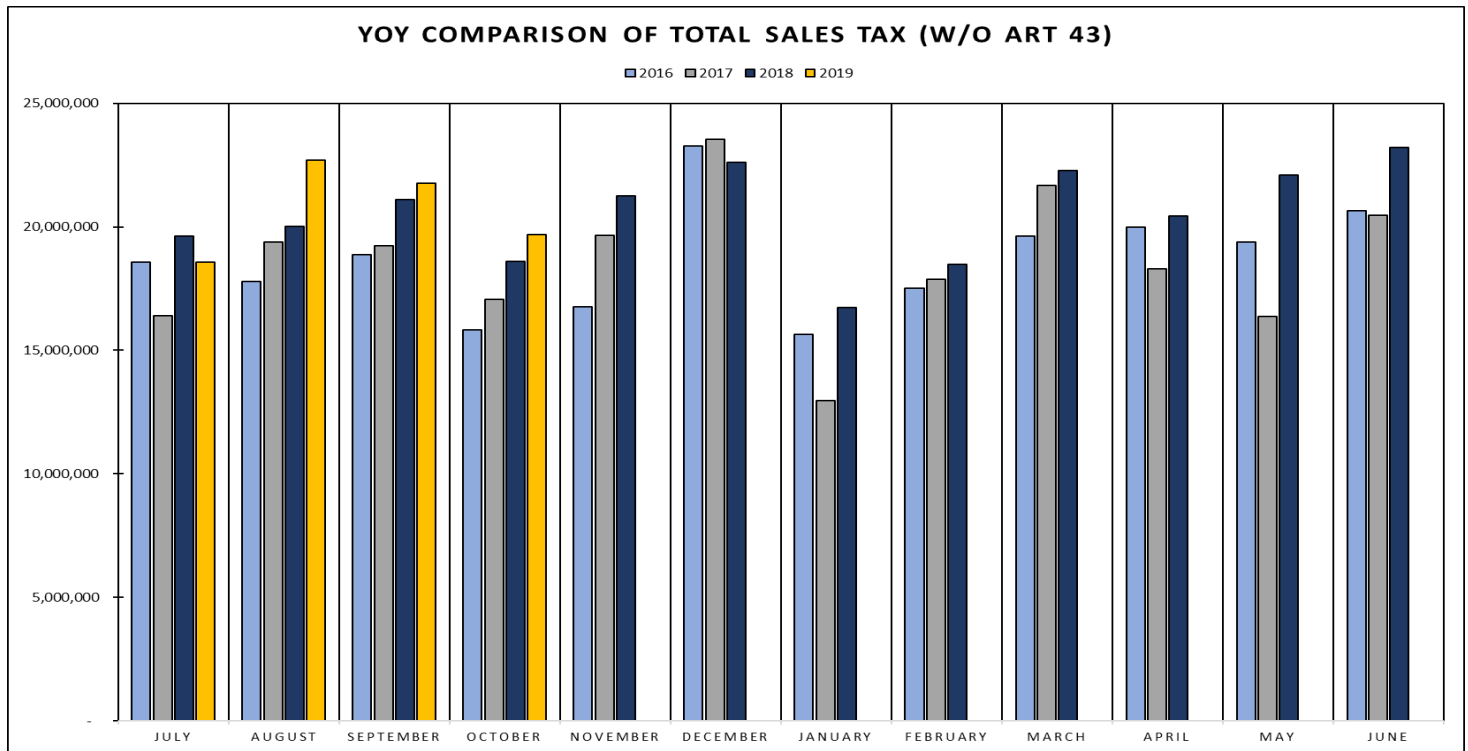
Source: The Conference Board



Sales Taxes

FY18 sales taxes are up 4.2% with refunding activity year-to-date up 95.8% over FY18.

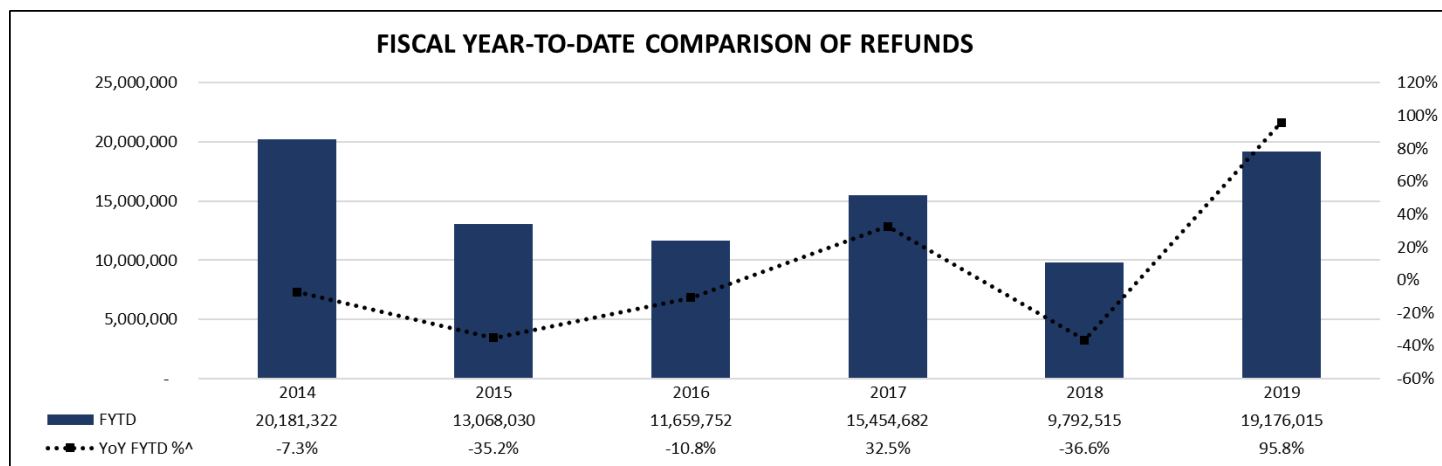
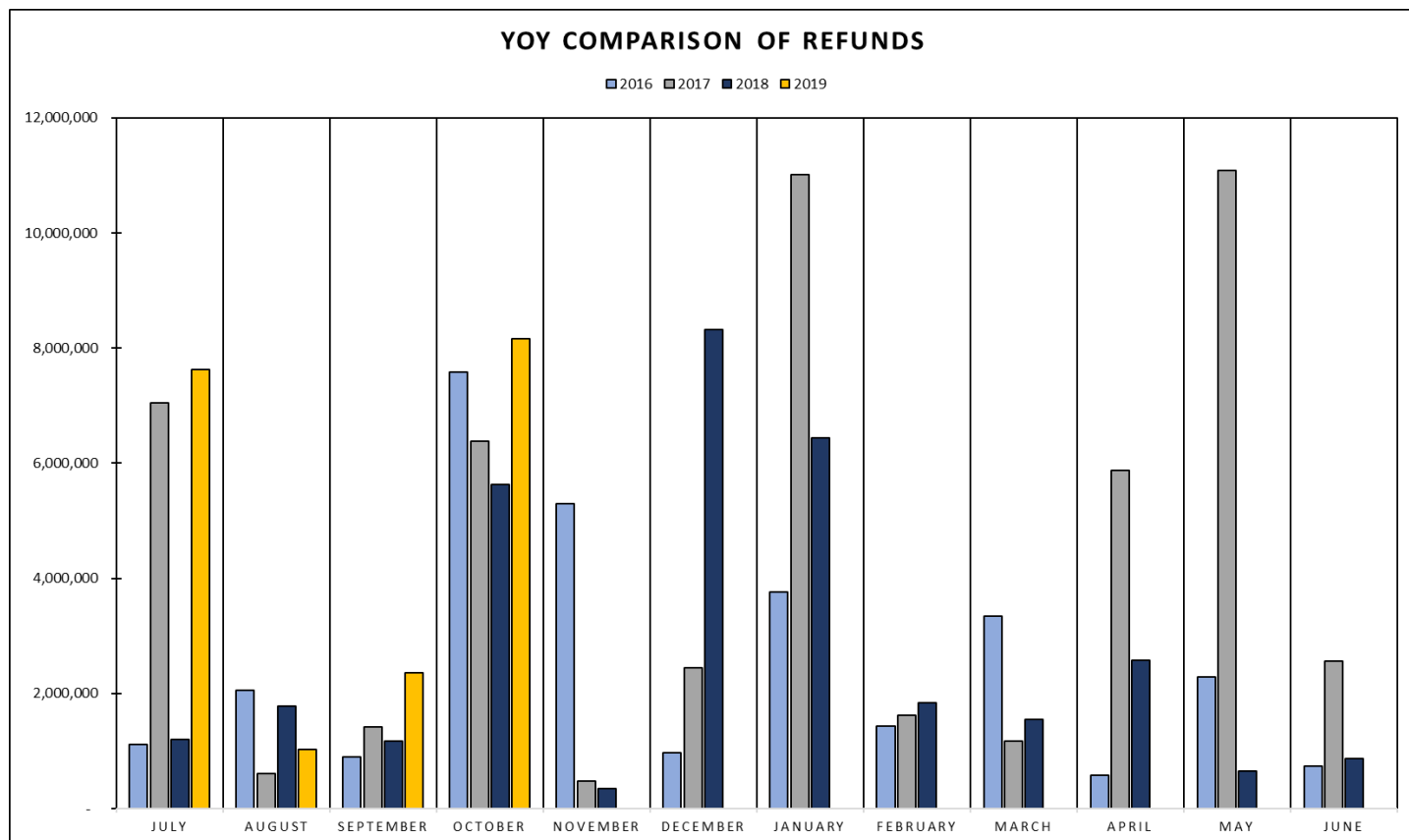
Sales taxes for the first four months of 2019 are up 4.2% due to positive economic factors including low unemployment, high consumer sentiment, low fuel prices, and increasing wages. However, refunding in the fiscal year has eaten into a significant portion of the gains with total refunding in FY19 at \$19.1 million compared to \$9.7 million for the first four months of 2018. The expectation is that we will continue to see strong growth in sales tax revenue in the coming two months as stores posted record sales this holiday season.



Note: The charts above exclude transit tax, which is a pass-thru to the City of Charlotte

Source: North Carolina Department of Revenue (NCDOR)

Refunds in October were \$8.1 million—making it the County’s largest refund month since July which had refunds totaling \$7.6 million. It must be noted that fiscal year 2017 was an unusually high year for refunds, and the County experienced total refunds of \$51.7 million. In 2017 the refunding activity in the first four months was \$15.4 million. Although we are currently trending higher than 2017 in terms of refunds, refund activity is lumpy. There is a high degree of volatility in refunds year over year, and it is not clear that total refunds will continue to outpace 2017. In 2013 and 2014, there were higher refunds to date, but in both cases total refunds were about average.



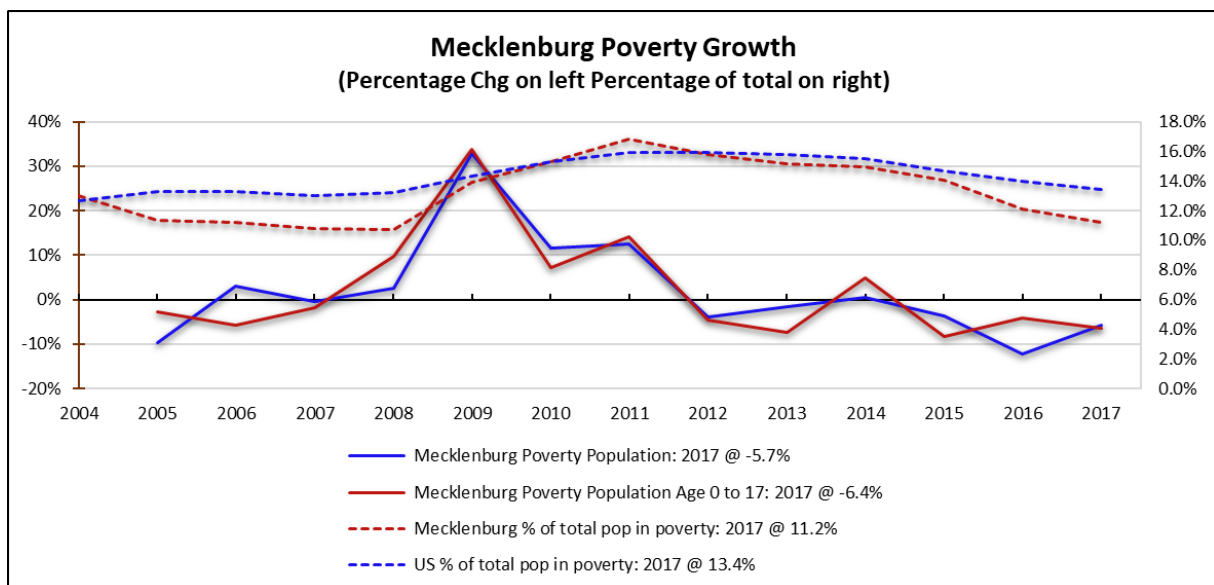
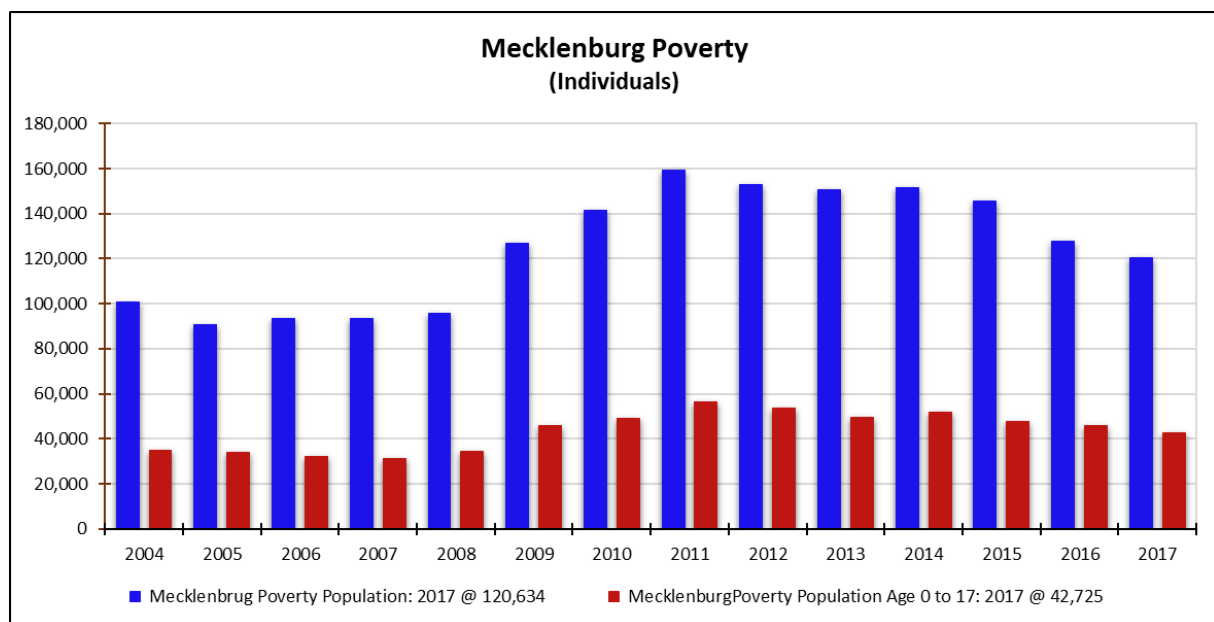
Source: North Carolina Department of Revenue (NCDOR)

Mecklenburg County Poverty

Poverty in the County remains lower than the National average and has continued to decline despite a growing population and increasing home prices.

Mecklenburg County's poverty population fell from 12.1% to 11.2% in 2017. The total poverty population as estimated by the US Census Bureau stands at 120,634, with 42,725 of those under the age of 17. The overall decline in poverty is largely due to the positive economic situation the Nation has experienced following the Great Recession with low unemployment and rising wages pulling many Americans out of poverty.

The data provided by the Census Bureau, releases annually in December and covers the prior year. However, given the improvement trend we have seen over the past six years, combined with the positive economic conditions experienced in 2018, it is expected that 2018's figures will continue to show improvement.



Mecklenburg County Office Market Statistics

The office market has experienced a lower vacancy rate, increasing rates, and increased construction spending over the same time last year.

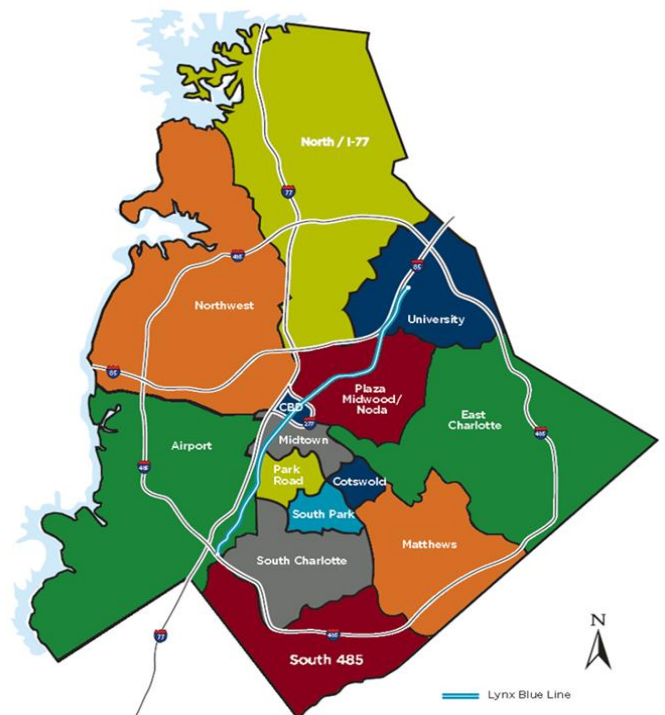
Earlier this quarter, Charlotte grabbed the number two spot on Business Facilities' annual ranking report for economic growth potential beating out Denver, Colorado and finishing behind Austin, Texas. All three cities are known for attracting a highly skilled, educated millennial workforce, that companies of all sizes are eager to tap into. Charlotte is also considered a leading fintech hub for startups that has become a huge catalyst for why Charlotte landed in the number 10 spot for startup growth. With 3.8 million sq ft under of new office space under construction Mecklenburg County's commercial building market is thriving.

Urban Market

Year-over-year asking rents are up 7.8% to \$32.42 in the urban markets of the County. The Midtown market had the second largest acquisition of the year with Zurich Alternative Asset Management acquiring 500 E Morehead from Beacon Partners for \$88.5 million (\$496 per sq. ft.). The largest purchase of the year was 615 S College which sold for \$598 per sq. ft. earlier in the year. It is expected that other buildings such as the Railyard and Refinery in the Midtown market will command similar prices as newly developed class A office space is in high demand.

Suburban Market

Year-over-year asking rents are up 9.3% to \$24.37 in the suburban markets of the County. The suburban markets continue to perform well adding 196,784 new sq. ft. of office space over the third quarter last year compared to 155,040 sq. ft. for the urban markets. As vacancy decreases and rental rates continue to rise, owners are expected to sell properties for record high amounts as Mecklenburg County demonstrates it is a viable and highly sought-after investment market.

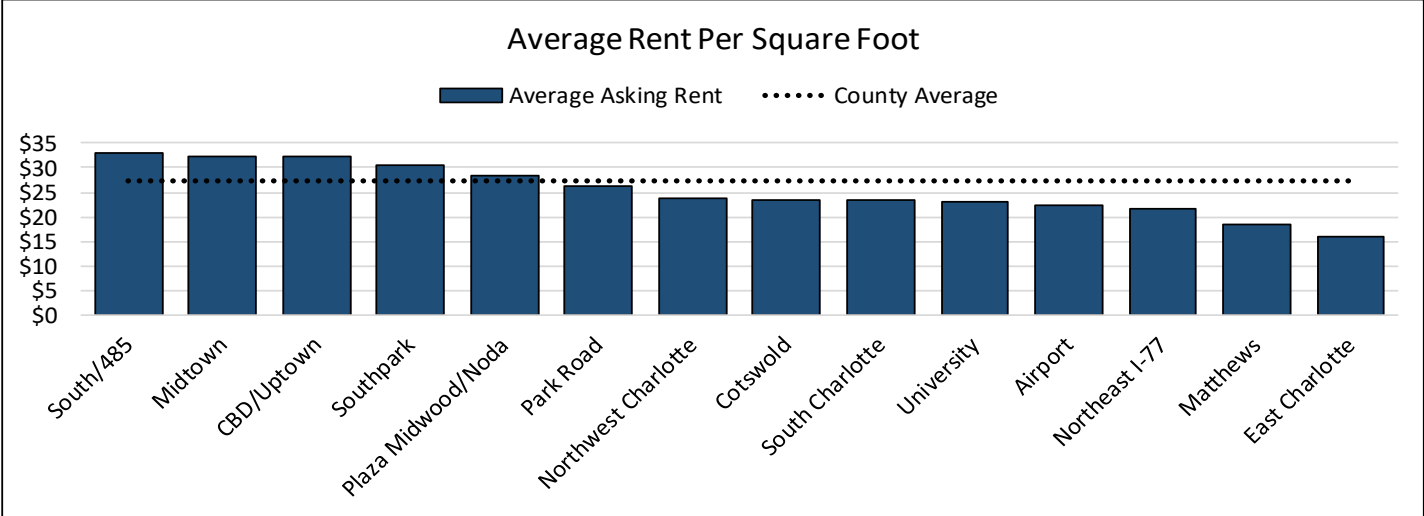
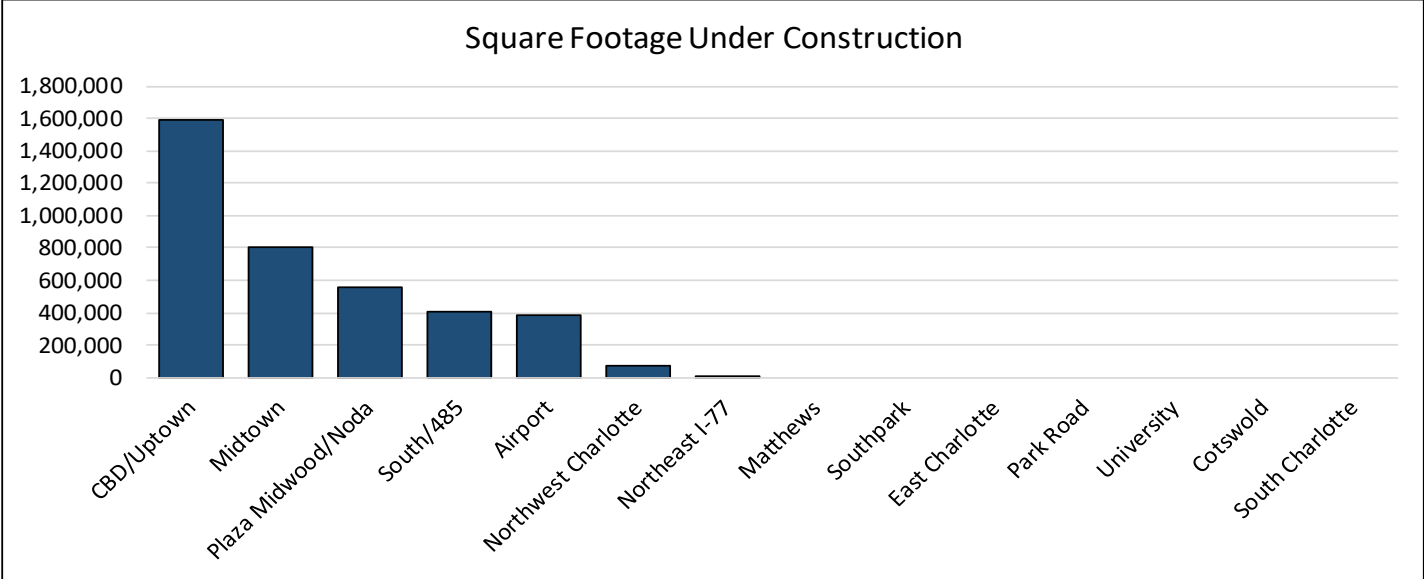
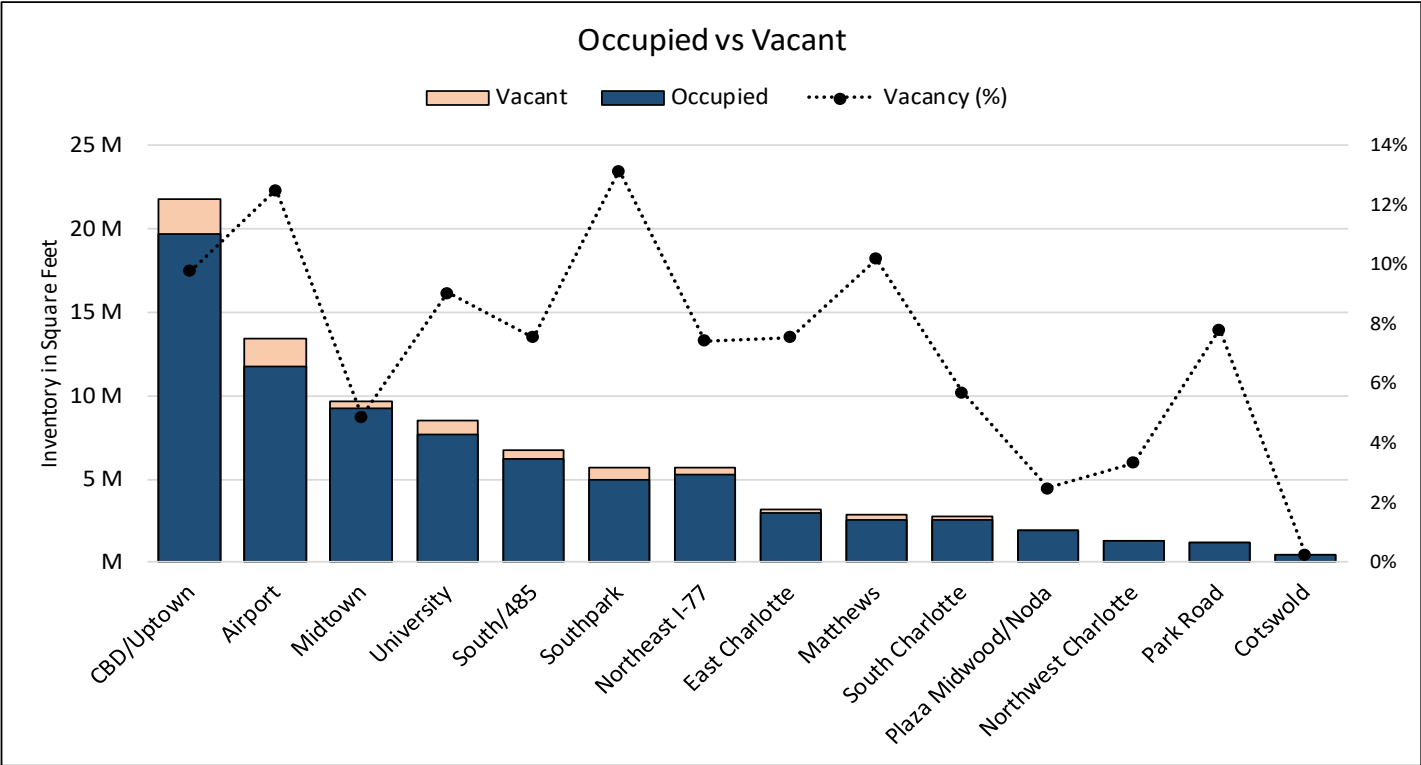


OFFICE MARKET STATISTICS - THIRD QUARTER 2018

Submarket	Total Buildings	Inventory (SF)	Direct Vacant (SF)	Total Vacant (SF)	Overall Vacancy	YTD Net Absorbion	YTD Deliveries (SF)	Under Construction	Average Asking Rent
CBD/Uptown	123	21,817,133	2,078,683	2,133,886	9.8%	473,250	-	1,595,073	\$32.39
Midtown	649	9,712,229	452,186	474,579	4.9%	-77,072	-	804,016	\$32.48
Urban Market Total	772	31,529,362	2,530,869	2,608,465	8.3%	396,178	-	2,399,089	\$32.42
Northeast I-77	393	5,683,071	360,077	423,520	7.5%	45,711	42,093	6,000	\$21.81
Northwest Charlotte	194	1,333,022	44,482	44,482	3.3%	18,299	10,834	67,920	\$23.75
University	152	8,470,750	757,332	767,825	9.1%	104,478	-	-	\$23.05
Plaza Midwood/Noda	278	1,941,929	48,208	48,208	2.5%	21,561	-	552,717	\$28.49
Airport	344	13,424,299	1,666,397	1,681,508	12.5%	139,520	186,426	384,365	\$22.25
Park Road	84	1,230,376	96,243	96,243	7.8%	48,649	-	-	\$26.10
Matthews	241	2,817,480	283,802	287,008	10.2%	10,590	13,810	-	\$18.44
Cotswold	37	490,271	1,341	1,341	0.3%	1,241	-	-	\$23.31
South/485	172	6,762,019	438,645	511,514	7.6%	165,622	-	408,151	\$33.00
South Charlotte	174	2,730,881	154,013	156,513	5.7%	-14,790	-	-	\$23.28
East Charlotte	323	3,199,701	242,236	242,236	7.6%	16,549	-	-	\$15.81
Southpark	100	5,694,863	712,161	749,762	13.2%	-4,570	-	-	\$30.40
Suburban Market Total	2,492	53,778,662	4,804,937	5,010,160	9.3%	552,860	253,163	1,419,153	\$24.37
Charlotte Metro Total	3,264	85,308,024	7,335,806	7,618,625	8.9%	949,038	253,163	3,818,242	\$27.35

OFFICE MARKET STATISTICS - THIRD QUARTER 2017

Submarket	Total Buildings	Inventory (SF)	Direct Vacant (SF)	Total Vacant (SF)	Overall Vacancy (%)	YTD Net Absorbion (SF)	YTD Deliveries (SF)	Under Construction (SF)	Average Asking Rent
CBD/Uptown	124	21,836,797	2,229,873	2,270,911	10.4%	236,129	1,017,402	853,073	\$30.82
Midtown	645	9,537,525	340,905	387,828	4.1%	186,833	230,259	383,371	\$27.91
Urban Market Total	769	31,374,322	2,570,778	2,658,739	8.5%	422,962	1,247,661	1,236,444	\$29.89
Northeast I-77	389	5,678,664	340,852	361,092	6.4%	10,821	-	11,629	\$21.02
Northwest Charlotte	190	1,308,523	63,651	63,651	4.9%	15,632	-	10,834	\$17.15
University	153	8,392,286	864,114	879,786	10.5%	-45,912	-	-	\$21.55
Plaza Midwood/Noda	278	1,911,214	16,760	16,760	0.9%	202,056	201,067	169,730	\$13.93
Airport	343	13,344,231	1,669,832	1,683,459	12.6%	72,498	23,000	382,034	\$19.83
Park Road	86	1,242,057	84,701	84,701	6.8%	-24,985	-	-	\$24.49
Matthews	236	2,777,225	398,786	402,041	14.5%	53,361	-	-	\$17.21
Cotswold	37	450,104	6,345	6,345	1.4%	4,576	-	-	\$23.73
South/485	171	6,941,112	602,732	659,695	9.5%	340,967	164,000	30,000	\$29.21
South Charlotte	172	2,737,717	140,971	142,121	5.2%	141,002	-	-	\$21.24
East Charlotte	319	3,089,860	211,107	211,107	6.8%	88,158	80,000	30,000	\$15.64
Southpark	100	5,708,885	677,092	727,265	12.7%	-36,035	231,000	-	\$30.20
Suburban Market Total	2,474	53,581,878	5,076,943	5,238,023	9.8%	822,139	699,067	634,227	\$22.11
Charlotte Metro Total	3,243	84,956,200	7,647,721	7,896,762	9.3%	1,245,101	1,946,728	1,870,671	\$24.94



Mecklenburg Warehouse Market Statistics

Industrial warehouse space continues to be in high demand especially by third party logistics (3PL) tenants. Since 2017, 2.2 million square feet of warehousing space was added in Mecklenburg County. Currently, there are approximately 139.5 million square feet of total warehousing space.

Total vacant space amounted to 6.3 million of which 5.1 million was in large warehouses located in the Northwestern and Southwestern market. Mecklenburg's vacancy rate increased by 20 basis points to 4.5% in the second quarter which is lower than the regional vacancy rate of 5.9%. (Region includes York and Cabarrus)

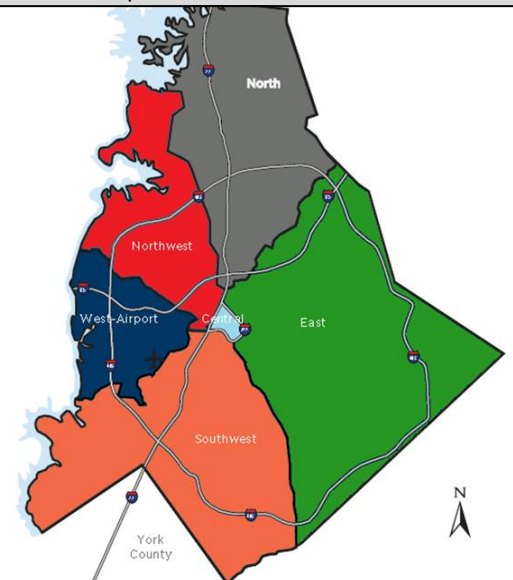
Rates within the central region showed large changes with warehousing space up \$4.81 per square foot, a 46.6% increase from 2017. The East market had a decline in rate of 36.7%, which is largely due to new inventory available. Overall rates for the county are up \$0.28 or 5.1%.

Since last year flex warehouse footprint remained roughly unchanged with a 0.6% increase in square footage. However, higher demand has pushed rates up 7.2%. Large warehouses space grew by 1.7% with rates increasing by 4.5%.

The second quarter data shows we added 960,000 new square foot of inventory with an additional 1.6 million square foot under construction.

Significant Project Developments

PROJECT	SQUARE FT	DEVELOPER	ESTIMATED COMPLETION	SUBMARKET	TYPE
Amazon Distribution Center	1,000,000	TPA Group	Q1 2019	Cabarrus County Industrial	Warehouse
980 Derita Rd	410,814	Silverman Group	Q1 2019	Cabarrus County Industrial	Warehouse
Commerce Station Rd	324,000	Foundry Commercial	Q3 2018	North Industrial	Warehouse
Legacy Park East –Phase I	193,750	Colliers International	Q3 2018	York County Industrial	Warehouse
Wilkinson Commerce Center –Building C	172,000	Scannell	Q3 2018	Airport Industrial	Warehouse
Metrolina Park –Building 4	137,360	Beacon Partners	Q3 2018	North Industrial	Warehouse
Metrolina Park –Building 3	135,105	Beacon Partners	Q3 2018	North Industrial	Warehouse
Bryton Corporate Center –Building A	125,937	Foundry Commercial	Q1 2019	North Industrial	Warehouse
Stanley Black & Decker	345,000	Crescent Communities	Q3 2018	York County Industrial	Manufacturing
Steele Creek Commerce Park 9	125,400	East Group Properties	Q3 2018	State Line Industrial	Warehouse
Beltway Blvd –Building B	220,000	Foundry Commercial	Q3 2020	Airport Industrial	Warehouse



INDUSTRIAL MARKET STATISTICS - Q3 2018

Submarket	Total Buildings	Inventory (SF)	Total Vacancy (SF)	Vacancy Rate	Absorption (SF)	Past Four QTR Absorption	Completions (SF)	Under Construction (SF)	Weighted Average Rent per SF
Warehouse									
Central	156	4,434,446	94,570	2.1%	3,000	27,710	-	-	10.32
East	227	10,265,058	242,856	2.4%	440,806	4,184	-	-	3.65
North	584	30,982,512	796,751	2.6%	15,912	176,999	-	1,071,705	5.64
Northwest	225	13,422,081	1,402,010	10.4%	(168,075)	(308,170)	-	-	3.72
Southwest	474	42,434,787	1,846,676	4.4%	1,139,456	1,527,900	758,760	205,400	4.5
West Airport	475	19,913,251	784,480	3.9%	186,460	631,191	202,148	314,420	5.18
Flex									
Central	14	590,333	24,542	4.2%	(3,487)	(22,092)	-	-	18.9
East	76	3,037,683	52,969	1.7%	(7,214)	5,323	-	-	7.23
North	117	4,822,930	391,063	8.1%	896	20,030	-	-	9.6
Northwest	12	448,593	20,915	4.7%	(17,140)	(14,950)	-	-	10.27
Southwest	117	4,574,705	376,714	8.2%	21,302	155,873	-	45,600	9.69
West Airport	34	4,598,285	289,674	6.3%	4,912	126,150	-	-	8.39
By Property Type									
Total Warehouse	2,141	121,452,135	5,167,343	4.3%	1,617,559	2,059,814	960,908	1,591,525	\$4.96
Total Flex	370	18,072,529	1,155,877	6.4%	(731)	270,334	-	45,600	\$9.24
Mecklenburg Total	2,511	139,524,664	6,323,220	4.5%	1,616,828	2,330,148	960,908	1,637,125	\$5.51

INDUSTRIAL MARKET STATISTICS - Q3 2017

Submarket	Total Buildings	Inventory (SF)	Total Vacancy (SF)	Vacancy Rate	Absorption (SF)	Past Four QTR Absorption	Completions (SF)	Under Construction (SF)	Weighted Average Rent per SF
Warehouse									
Central	158	4,466,555	130,815	2.9%	(11,206)	10,617	-	-	\$5.51
East	227	10,251,057	76,935	0.8%	(10,200)	153,143	-	21,600	\$4.99
North	586	31,528,101	1,223,535	3.9%	431,440	1,037,771	636,584	576,485	\$4.74
Northwest	225	13,462,263	1,016,198	7.5%	1,153	(125,110)	-	-	\$3.45
Southwest	466	39,869,325	1,365,870	3.4%	239,844	1,547,761	273,420	1,127,750	\$5.21
West Airport	474	19,763,628	981,643	5.0%	454,855	1,003,154	216,500	458,135	\$4.83
Flex									
Central	16	598,426	29,680	5.0%	-	16,349	-	-	\$9.89
East	81	3,149,611	56,759	1.8%	44,753	91,881	-	-	\$8.27
North	115	4,928,012	378,940	7.7%	(52,342)	68,312	-	-	\$9.66
Northwest	12	448,593	5,945	1.3%	-	(695)	-	-	\$8.16
Southwest	111	4,431,391	342,786	7.7%	33,615	5,436	-	180,125	\$7.90
West Airport	134	4,407,405	338,150	7.7%	13,961	127,761	-	86,570	\$8.33
By Property Type									
Total Warehouse	2,136	119,340,929	4,794,996	4.0%	1,105,886	3,627,336	1,126,504	2,183,970	\$4.73
Total Flex	469	17,963,438	1,152,260	6.4%	39,987	309,044	-	266,695	\$8.57
Mecklenburg Total	2,605	137,304,367	5,947,256	4.3%	1,145,873	3,936,380	1,126,504	2,450,665	\$5.23

INDUSTRIAL MARKET STATISTICS - YEAR-OVER-YEAR COMPARISON

Submarket	Total Buildings	Inventory (SF)	Total Vacancy (SF)	Vacancy Rate	Absorption (SF)	Past Four QTR Absorption	Completions (SF)	Under Construction (SF)	Weighted Average Rent per SF
Warehouse									
Central	(2)	(32,109)	(36,245)	-0.80%	14,206	17,093	-	-	\$4.81
East	-	14,001	165,921	1.60%	451,006	(148,959)	-	(21,600)	(1.34)
North	(2)	(545,589)	(426,784)	-1.30%	(415,528)	(860,772)	(636,584)	495,220	0.90
Northwest	-	(40,182)	385,812	2.90%	(169,228)	(183,060)	-	-	0.27
Southwest	8	2,565,462	480,806	1.00%	899,612	(19,861)	485,340	(922,350)	(0.71)
West Airport	1	149,623	(197,163)	-1.10%	(268,395)	(371,963)	(14,352)	(143,715)	0.35
Flex									
Central	(2)	(8,093)	(5,138)	-0.80%	(3,487)	(38,441)	-	-	9.01
East	(5)	(111,928)	(3,790)	-0.10%	(51,967)	(86,558)	-	-	(1.04)
North	2	(105,082)	12,123	0.40%	53,238	(48,282)	-	-	(0.06)
Northwest	-	-	14,970	3.40%	(17,140)	(14,255)	-	-	2.11
Southwest	6	143,314	33,928	0.50%	(12,313)	150,437	-	(134,525)	1.79
West Airport	(100)	190,880	(48,476)	-1.40%	(9,049)	(1,611)	-	(86,570)	0.06
By Property Type									
Total Warehouse	5	2,111,206	372,347	0.24%	511,673	(1,567,522)	(165,596)	(592,445)	0.22
Total Flex	(99)	109,091	3,617	-0.02%	(40,718)	(38,710)	-	(221,095)	0.66
Mecklenburg Total	(94)	2,220,297	375,964	0.2%	470,955	(1,606,232)	(165,596)	(813,540)	\$0.28

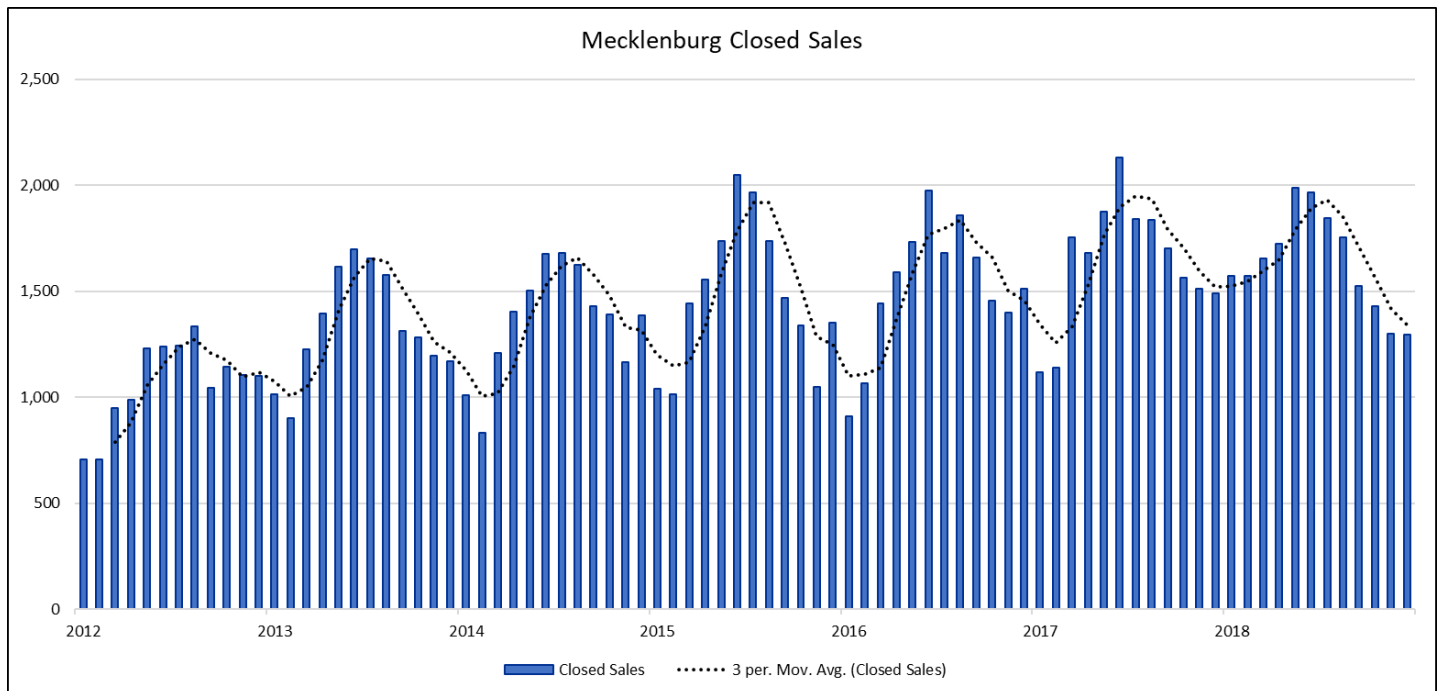
Green bars are positive year-over-year factors, red are negative factors. i.e., both inventory and vacancy are up in a given market. Red is used for the increased vacancy and green is used to designate the increased inventory.

Source: Cushman & Wakefield Charlotte NC Industrial Q3 2018 MarketBeat Report

Mecklenburg County Housing Market Statistics

Home sales slow, but home prices should continue to increase in 2019 although at a slower pace

Mecklenburg County's year-over-year home sales in December decreased 17.9%, with 1,296 properties sold compared to 1,579 properties sold over the same period last year. Davidson remains the only municipality to maintain positive sales activity in 2018 with 470 homes sold in 2018 compared to 457 homes sold in 2017. Home sales for the County have been in decline on a year-over-year basis for most of the second half of 2018 as shown in the graph below. Expect continued low sales in January and February as these months have seasonal lighter activity.



Graph shows monthly closed sales the County (bars) and the associated 3-month moving average of sales

New listings year-over-year were down 2.3% in 2018 with 997 properties up for sale in December compared to 1,020 properties up for sale over the same period last year. Mecklenburg closed the year out with total new listings throughout the year of 24,485, down 1.8% from 2017.

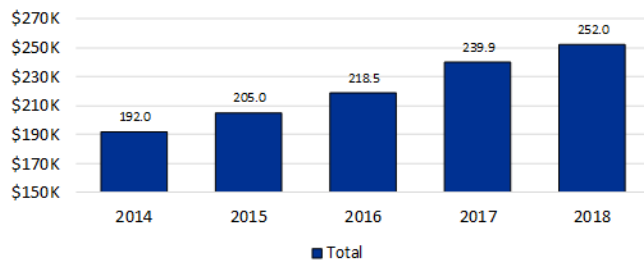
Year-to-date the average housing prices for the county closed the year up 7.3% from 2017 at \$320,775. December was the only month in 2018 to show a decrease in home price when compared to the same month in 2017. However, a one month decline in home prices has also happened in 2014, 2015, and in 2017, and home prices immediately bounced back higher the following month, so December results shouldn't be cause for alarm at this time.

Overall, given the low supply of housing on the market combined with the increasing employment opportunities available to new migrants to the area, 2019 should continue to show positive gains in home prices, albeit not likely as high as gains from 2018.

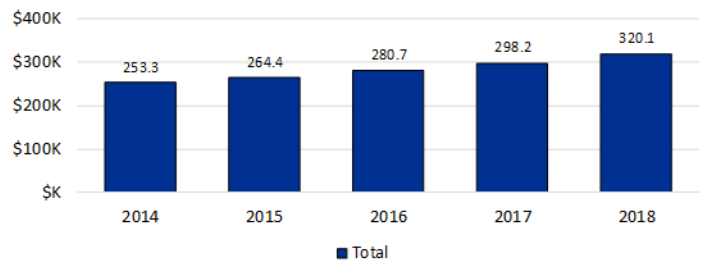
Mecklenburg County	December			Year to Date		
Key Metrics	2017	2018	Percent Change	Thru 12-2017	Thru 12-2018	Percent Change
New Listings	1,020	997	-2.3%	24,938	24,485	-1.8%
Pending Sales	1,125	1,114	-1.0%	20,900	19,857	-5.0%
Closed Sales	1,579	1,296	-17.9%	20,990	19,735	-6.0%
Median Sales Price*	\$251,955	\$248,995	-1.2%	\$239,900	\$252,000	5.0%
Average Sales Price*	\$311,204	\$310,996	-0.1%	\$298,196	\$320,075	7.3%
Percent of Original List Price Received	97.2%	96.6%	-0.6%	98.0%	97.7%	-0.3%
List to Close	89	95	6.7%	85	83	-2.4%
Days on Market Until Sale	37	41	10.8%	32	33	3.1%
Cumulative Days on Market Until Sale	44	48	9.1%	39	39	0.0%
Inventory of Homes for Sale	2,701	2,975	10.1%	--	--	--
Months Supply of Inventory	1.6	1.8	12.5%	--	--	--

* Does not account for sale concessions and /or down payment assistance.

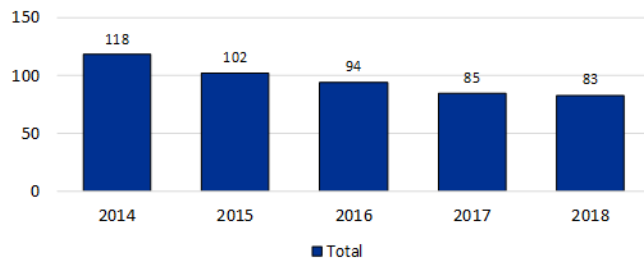
Median Sales Price for Mecklenburg County



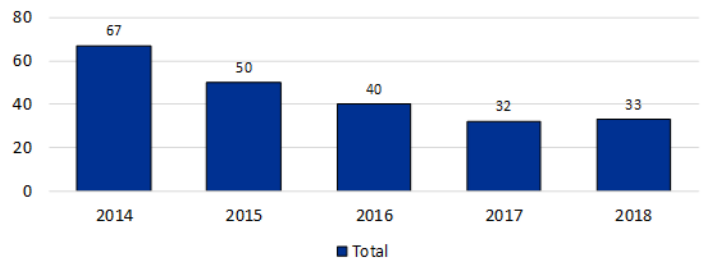
Average Sales Price for Mecklenburg County



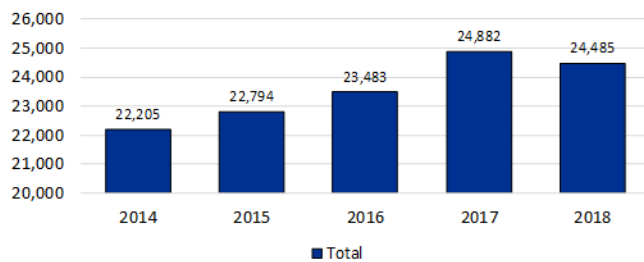
List to Close for Mecklenburg County



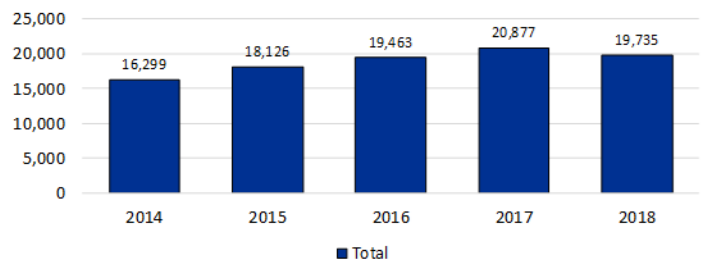
Days on Market Until Sale for Mecklenburg County



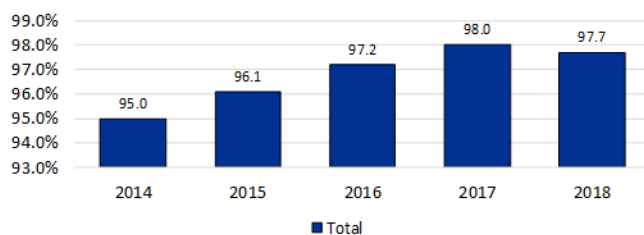
New Listings for Mecklenburg County



Closed Sales for Mecklenburg County



Percent of Original List Price Received for Mecklenburg County



Cumulative Days on Market Until Sale for the month of December

